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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE  
18 February 1955

MEMORANDUM FOR: Deputy Director (Intelligence) *ED/ED*  
SUBJECT: Offshore Island Situation

Nanchishan

A Chinese Nationalist military spokesman has announced that Nationalist warships on 18 February sank 7 Chinese Communist landing craft, probably sank 3 gunboats and set fire to another landing craft north of Communist-held Taishan Island, 32 miles south of Nanchishan. The Communist force allegedly consisted of 8 gunboats and 7 landing craft of from 300 to 400 tons, each with 200 troops aboard.

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Taipei in the past has exaggerated such clashes.

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Matsus

Negative.

Quemoys

Negative.

Prospects for a cease-fire

Nationalist vice-president Chen Cheng is quoted as saying the Nationalist government may agree to a cease-fire in the Formosa straits, provided sanctions are imposed on the Chinese Communists and they are declared to be aggressors. This is

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the first statement by a Nationalist leader suggesting that Taipei would consider a cease-fire on any basis.

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